

July 6, 2023

Ontario Energy Board issues decision on Elexicon Energy Inc.'s application for additional capital funding for smart grid and system expansion projects

DECISION

Today, the Ontario Energy Board (OEB) issued its Decision and Order on Elexicon Energy Inc.'s (Elexicon Energy) request to collect \$69.8M in incremental capital module (ICM) funding from customers. The request relates to two capital projects: (i) a community-wide Whitby Smart Grid (funding request of \$43.1M to be recovered from customers in the Whitby and Veridian rate zones) and (ii) the construction of two 27.6kV feeders from the Whitby transmission station to connect a planned sub-division in North Brooklin, referred to as the Sustainable Brooklin project (funding request of \$26.7M to be recovered from customers in the Whitby rate zone).

Whitby Smart Grid Project

The Whitby Smart Grid project involves the deployment of a suite of technologies to modernize Elexicon Energy's distribution system including voltage/VAR optimization technology, distribution automation, and fault location isolation and service restoration. The funding request for the Whitby Smart Grid is comprised of the control systems (Advanced Distribution Management System (ADMS) and Supervisory Control and Data Acquisition (SCADA)), and field hardware (wood poles, pole mount transformers, and overhead load switches).

In its Decision and Order, the OEB approved \$8.8M in funding for the control systems of the Whitby Smart Grid project, which forms the backbone of the Smart Grid. The OEB did not approve the remainder (\$34.4M) of the funding request to install various field hardware for the Smart Grid. The OEB did not consider it prudent to approve the investment of this incremental field hardware at this time. Elexicon Energy may consider phasing in these components after the ADMS is in-service, which would among other things allow Elexicon Energy to reconsider elements of the cost-benefit analysis for these investments.

Elexicon Energy has secured \$4.04M in funding from National Resources Canada (NRCan) for the ADMS portion of the Whitby Smart Grid. The approved NRCan funding was integral to the OEB's consideration of the ICM request, and accordingly, the OEB found it appropriate to require the receipt of the entire \$4.04M in NRCan funding and a March 31, 2025 completion date as conditions of approval for the implementation of the ICM rate riders.

Sustainable Brooklin Project

The Sustainable Brooklin project is a distribution system expansion for which the developers of the planned sub-division would normally be required to pay a capital contribution under the OEB's Distribution System Code (DSC). In this case, Elexicon Energy applied for ICM funding to socialize the cost of the capital contribution for the two 27.6 kV feeders by recovering the costs from all electricity customers in the Whitby rate zone. In exchange, the developers would build new homes in the sub-division that include rough-ins in anticipation of the potential future installation of rooftop solar, battery storage and electric vehicle chargers.

Elexicon Energy also applied for exemptions from the DSC, notably to exempt it from the requirement to collect a capital contribution from the developers towards the cost of the project.

The OEB denied the requested exemptions from the DSC and the funding request of \$26.7M. The OEB found that the project proposal put the burden of costs on existing customers rather than the future homeowners who stand to benefit. Therefore, it did not provide sufficient protection for existing customers when weighing the cost and benefit risks.

The OEB's objectives include the facilitation of innovation – but not at any cost. The OEB acknowledged the innovative aspects of Elexicon Energy's application. However, innovation must be considered at the same time as the objectives and responsibilities of the OEB in protecting the public interest in ensuring reasonable rates that reflect the benefits obtained by them. The fact that a project is innovative cannot automatically override the OEB's responsibility to protect the public with respect to price, adequacy, reliability and quality of service when evaluating it for approval.

REGULATORY TERMS

The following is a list of some of the commonly used regulatory terms that appear in this backgrounder, along with a plain language description for each one.

Incremental Capital Module (ICM) – This is a mechanism that allows a utility that is operating under the Price Cap Incentive Rate-setting option to apply for additional capital funding during the years between its cost-based applications if certain criteria are met.

The OEB will not approve a request for ICM funding unless it is satisfied that the funding amount is more than what the utility can expect to finance through its current rates.

Rate rider – A rate rider is a charge or a credit that the OEB approves for a temporary period, generally a year or less. An example of an amount that is either charged or refunded to customers using a rate rider is the difference between the amount a utility has paid for the electricity it delivers to its customers over a specified period, and the amount it has billed its customers during the same period.

About the OEB

The OEB is the independent regulator of Ontario's electricity and natural gas sectors. It protects the interests of consumers and supports the collective advancement of the people of Ontario. Its goal is to deliver public value through prudent regulation and independent adjudicative decision-making which contributes to Ontario's economic, social and environmental development.

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Ce document est aussi disponible en français.

This Backgrounder was prepared by OEB staff to inform Ontario's energy consumers about the OEB's decision and is not for use in legal or regulatory proceedings. It is not part of the OEB's reasons for decision; those may be found in the Decision and Order issued today, which is the official OEB document.